

Manitoba 

Annual Report
1990

**Manitoba
Municipal Employees
Benefits Board**

ADDRESS

**Municipal Employees Benefits Board
#308 – 131 Provencher Boulevard
Winnipeg, Manitoba
R2H 0G2**

**Our phone number is: (204) 237-6574
FAX: (204) 945-8181
Manitoba Toll Free Number: 1-800-432-1908**



Minister of
Rural Development

His Honour George Johnson, M.D.
Lieutenant Governor of Manitoba
225 Legislative Building
Winnipeg, Manitoba
R3C 0V8

May it Please Your Honour:

As Minister responsible I have the privilege of presenting for the information of Your Honour the Fourteenth Annual Report of the Municipal Employees Benefits Board for the calendar year ended December 31, 1990.

Respectfully submitted,

A handwritten signature in cursive script, reading "James E. Downey".

James E. Downey



Municipal Employees Benefits Board

Honourable James E. Downey
Minister of Rural Development
330 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Sir:

I have the honour of presenting to you the Fourteenth Annual Report of the Municipal Employees Benefits Board. The Report summarizes the activities of the Board in the 1990 calendar year and details the status of the pension, disability and group insurance programs.

Audited financial statements, submitted as required by the Provincial Auditor, are appended to the Report.

These statements reveal the financial strength and administrative soundness of the Municipal Employee Benefits Fund and indicate municipal and quasi-municipal participants can continue to receive and expect to receive retirement, disability and insurance benefits as promised. Board members and the Board's supporting administrative staff are to be commended for their devotion, diligence and dedication in providing municipal employees with a financially secure benefits package.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'G. D. Forrest', followed by a long, sweeping horizontal line that extends to the right.

G. D. Forrest
Chairman

Table of Contents

TITLE	PAGE
Report of the Board	8
Municipal Employees Benefits Board	9
Report Highlights	
10 Year Comparative Statistics	10
6 Year Fund Assets	11
Employees By Year	11
Pensioners By Year	12
Municipal Employees Benefits Program	
Pension Plan Activities	13
Pension and Disability Revenue	13
Disbursement of Pension and Disability Revenue	14
Participation	14
Pension Benefits	15
Cost-of-Living Adjustment in Pensions	15
Pension Refunds	16
Prior Employment Recognition	16
Reciprocal Pension Agreements — Other Jurisdictions	17
Reciprocal Pension Agreements — Manitoba Transfers	17
Disability Pension Part of the Plan	18
Group Life Insurance Plan	18
Municipal Employees Benefits Board Information Services	19
Report on Changes in Status	20
Actuarial Studies	
Pension Plan Benefit Improvements Financed Out of Actuarial Surplus	21
Investments	22
Report of the Provincial Auditor's Office and Financial Statements	23

Report of the Board

This 14th Annual Report reviews and highlights the administrative and investment activities of the Municipal Employees Benefits Board for the calendar year 1990.

The Municipal Employees Benefits Board was established under subsection 179.12(1) of the Municipal Act in 1975.

The Board is appointed by the Lieutenant Governor in Council and is comprised of 2 employee representatives, 2 employer representatives and a chairman.

The Board is responsible for the administration of the provisions of the benefit plans established in accordance with the Municipal Act to provide benefits for employees of participating municipalities and quasi-municipal employers in Manitoba. Some of the required administrative and support services are provided by the staff of the Civil Service Superannuation Board.

As Trustees of the Municipal Employee Benefits Fund, the Board also has fiduciary responsibilities for ensuring that investments are made on the direction of the Investment Committee which is a sub-committee of the Board.

The Board operates within the guidelines, regulations and legislation contained in The Pension Benefits Act of Manitoba, which is an Act legislated to provide conformity and regulation of all pension plans administered in the Province of Manitoba.

The Board is responsible for administering the Pension Plan which involves collecting employer pension contributions and pension contributions deducted from employees by participating employers, investing and monitoring investments, paying refunds and other benefits on termination, negotiating reciprocal agreements to provide portability of pensions, paying pensions on retirement, counselling employees (including spouses), providing informational and pre-retirement seminars, providing annual benefit statements, preparing brochures outlining the benefits, newsletters, financial statements and an annual report.

The Board also administers the Group Life Insurance Plan which provides group life insurance and accidental death and dismemberment insurance to participating employees. Effective January 1, 1990, voluntary and dependents' life insurance were added to the Group Insurance Plan. The Board collects insurance contributions, pays the necessary premiums to the Prudential Group Assurance Company, pre-audits all insurance claims, prepares explanatory literature, provides informational counselling and invests the experience refunds which are held in a trust insurance fund. The Insurance Fund proceeds are used to subsidize post-retirement declining insurance benefits, to pay waiver of contribution benefits on disability and to stabilize the premium rate.

Since June, 1981, the Board has administered the Disability Pension Part of the Plan which provides long term disability benefits to disabled employees who qualify. The Board collects employee and employer contributions, processes applications for disability benefits, pays disability pensions, prepares explanatory literature and provides counselling to disabled employees.

It is a pleasure to acknowledge the contributions many municipal and quasi-municipal employers made to facilitate the administrative functions of the Board. As well, support staff of the Board deserve warm recognition for their dedication and conscientious service to the Board, and through it, to municipalities, and municipal and quasi-municipal employees who are participating in the Benefits Program.

THE MUNICIPAL EMPLOYEES BENEFITS BOARD

Municipal Employees Benefits Board

Chairman

Gerald D. Forrest
Chairman, Municipal Employees Benefits Board
Deputy Minister, Rural Development
Winnipeg

Employer Representatives

Henry F. Wiebe, Mayor
Town of Winkler
Representative, Manitoba Association
of Urban Municipalities

Dave Harms, Reeve
R.M. of Pembina
Representative, Union of Manitoba
Municipalities

Employee Representatives

Tom Clark, Vice Chairman
Municipal Employees Benefits Board
C.U.P.E. Winnipeg

Frank Woodmass
City Treasurer
City of Brandon

General Manager

Walter Worosz
General Manager, Municipal Employees Benefits Board
General Manager, Civil Service Superannuation Board
Winnipeg

Staff

Rose Neufeld, Benefits Manager
Diane Ell, Benefits Coordinator
Lori Hill

Maureen Friesen
Elaine Graham
Patty Smith

Consulting Actuary

John A. Turnbull, F.S.A., F.C.I.A.

Report Highlights

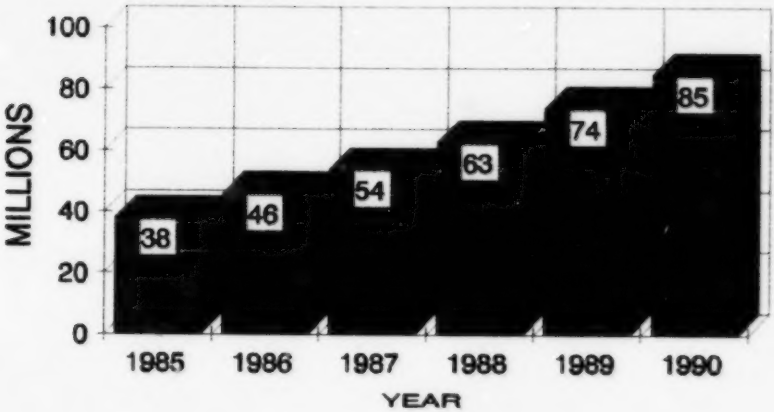
Municipal Employees Benefits Program

10 Year Comparative Statistics

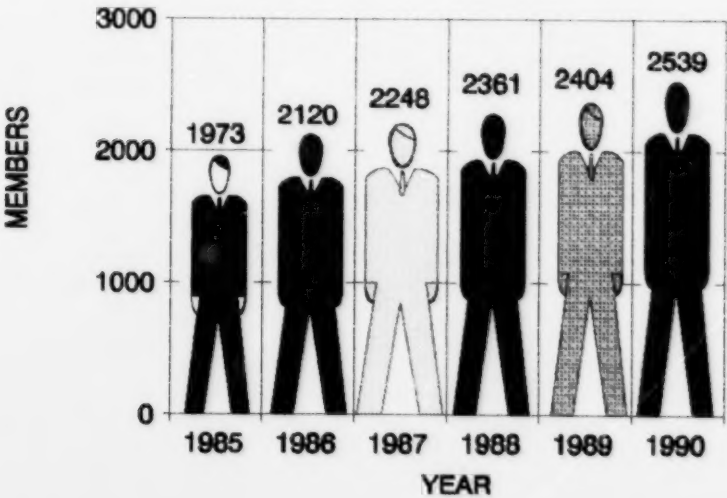
	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981
Pension Part of the Pension Plan										
Book Value of Investments	\$83,545,107	\$72,409,502	\$61,779,665	\$52,937,614	\$44,686,299	\$37,424,278	\$30,684,513	\$24,116,494	\$18,844,437	\$14,463,759
Investment Income	\$ 7,681,362	\$ 6,962,375	\$ 5,854,255	\$ 4,865,009	\$ 4,395,536	\$ 3,801,031	\$ 3,035,670	\$ 2,409,185	\$ 1,855,948	\$ 1,333,579
Employee Contributions	\$ 2,704,687	\$ 2,468,176	\$ 2,359,398	\$ 2,195,107	\$ 2,015,289	\$ 1,886,540	\$ 1,753,556	\$ 1,650,763	\$ 1,521,516	\$ 1,262,233
Employee Prior Service Contributions	\$ 4,828	\$ 36,068	\$ 12,574	\$ 21,524	\$ 12,149	\$ 10,364	\$ 13,889	\$ 16,731	\$ 20,567	\$ 124,195
Employer Contributions	\$ 2,703,205	\$ 2,468,419	\$ 2,359,718	\$ 2,192,325	\$ 2,015,316	\$ 1,886,793	\$ 1,753,657	\$ 1,648,621	\$ 1,520,819	\$ 1,263,298
Pension Payments	\$ 1,428,900	\$ 1,162,462	\$ 1,000,740	\$ 822,243	\$ 710,448	\$ 559,207	\$ 445,218	\$ 373,014	\$ 245,619	\$ 140,443
Refund of Contributions and Interest	\$ 592,919	\$ 534,336	\$ 478,316	\$ 388,096	\$ 360,402	\$ 426,179	\$ 244,651	\$ 182,903	\$ 174,019	\$ 283,298
Reciprocal Agreement										
— Transfers In	\$ 134,113	\$ 76,296	—	\$ 33,690	\$ 46,325	\$ 17,448	\$ 34,811	—	\$ 59,797	—
— Transfers Out	\$ 82,197	\$ 17,864	\$ 27,525	—	\$ 37,847	\$ 29,779	\$ 45,832	\$ 16,340	\$ 59,797	—
General Expenses	\$ 309,350	\$ 302,841	\$ 260,024	\$ 213,773	\$ 179,956	\$ 142,818	\$ 113,343	\$ 120,699	\$ 102,078	\$ 120,392
Participants in Fund	2,539	2,404	2,361	2,248	2,120	1,973	1,840	1,807	1,797	1,703
Employers Participating	272	269	267	265	260	257	247	243	238	238
Pensioners and Other Recipients	422	387	346	295	260	215	186	155	121	91
Terminated Employees	107	110	95	100	82	110	91	85	109	183
Disability Part of the Pension Plan										
Employee Contributions	\$ 206,652	\$ 189,198	\$ 179,877	\$ 164,182	\$ 150,141	\$ 142,311	\$ 130,668	\$ 117,978	\$ 105,918	\$ 49,415
Employer Contributions	\$ 221,910	\$ 202,868	\$ 192,563	\$ 176,944	\$ 158,053	\$ 140,830	\$ 130,097	\$ 115,978	\$ 100,427	\$ 46,532
Pension Payments	\$ 229,675	\$ 91,838	\$ 231,643	\$ 166,974	\$ 223,279	\$ 115,329	\$ 55,135	\$ 44,575	\$ 15,929	—
Refund of Contributions and Interest	\$ 9,586	\$ 17,104	\$ 11,121	\$ 12,186	\$ 11,915	\$ 18,483	\$ 9,232	\$ 7,193	\$ 2,853	—
Employers Participating	222	218	212	205	199	193	189	185	182	174
Employees in Receipt of Disability Benefits	53	43	44	38	39	27	12	7	4	1
Group Life Insurance Plan										
Employee Contributions	\$ 229,395	\$ 222,113	\$ 215,831	\$ 203,804	\$ 187,604	\$ 174,768	\$ 161,914	\$ 149,306	\$ 134,791	\$ 97,039
Employer Contributions	\$ 210,623	\$ 200,532	\$ 193,497	\$ 180,782	\$ 162,947	\$ 151,077	\$ 139,209	\$ 128,015	\$ 115,191	\$ 80,579
Voluntary and Dependents' Contributions	\$ 33,488	—	—	—	—	—	—	—	—	—
Death & Dismemberment Claims	\$ 465,020	\$ 249,750	\$ 242,000	\$ 290,341	\$ 281,250	\$ 42,000	\$ 184,500	\$ 126,170	\$ 224,603	\$ 142,000
Employers Participating	232	229	225	221	217	212	206	203	201	199

Report Highlights (continued)

6 Year Fund Assets

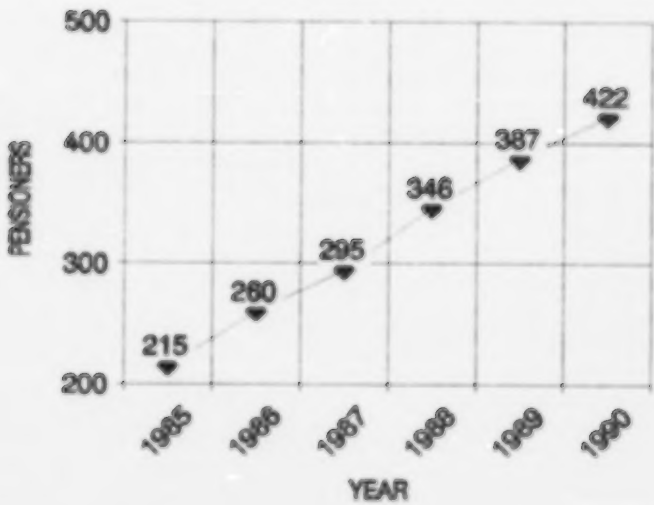


Employees by Year



Report Highlights (continued)

Pensioners by Year



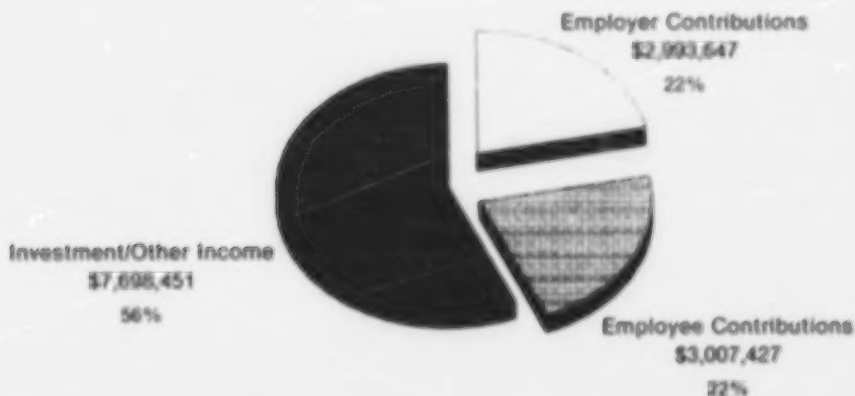
Municipal Employees Benefits Program

Pension Plan Activities

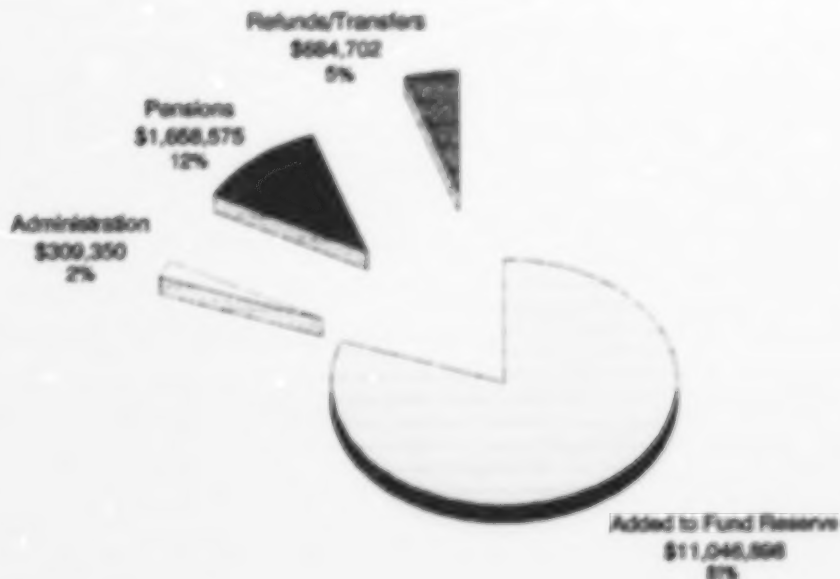
Pension Plan activities in 1990 compared with 1989 are displayed as follows:

	1990	1989	Increase (Decrease)
Book Value of Investments	\$83,545,107	\$72,409,502	\$11,135,605
Investment Income	\$ 7,681,362	\$ 6,962,375	\$ 718,987
Employee Contributions	\$ 2,704,687	\$ 2,488,176	\$ 216,511
Employee Prior Service Payments	\$ 4,828	\$ 36,068	\$ (31,240)
Employer Contributions	\$ 2,703,205	\$ 2,488,419	\$ 214,786
Pension Payments	\$ 1,428,900	\$ 1,162,462	\$ 266,438
Refund of Contributions and Interest	\$ 592,919	\$ 534,336	\$ 58,583
Reciprocal Agreement			
Employee and Employer			
Contributions and Interest			
— Transfers In	\$ 134,113	\$ 76,296	\$ 57,817
— Transfers Out	\$ 82,197	\$ 17,864	\$ 64,333
General Expenses	\$ 309,350	\$ 302,841	\$ 6,509
Participants in Fund	2,539	2,404	135
Employers Participating	272	269	3
Pensioners and Other Recipients	422	387	35
Terminated Employees	107	110	(3)

Pension and Disability Revenue



Disbursement of Pension and Disability Revenue



Participation

In 1990, the following employers began participating:

- Pembina Valley Conservation District
- The Pas Public Library
- Western Interlake Planning District Board

As at December 31, 1990, 195 municipalities plus 77 quasi-municipal organizations were participating in the Pension Plan.

In 1990, 289 employees joined the Plan, bringing the total participants to 2,539. (This figure includes 16 members who were advised to remain in prior pension plans but who contribute to the Disability Pension Part of the Plan.)

Pension Benefits

In 1990, pensions paid totalled \$1,428,900, a net increase of \$266,438 over 1989.

As at December 31, 1990, pensions were payable to 369 pensioners, 26 beneficiaries, and 27 spouses of employees who died in service. In 1990, 5 employees died in service and 4 of the spouses are receiving lifetime annuities, guaranteed for 10 years. One spouse chose to transfer the lump sum benefit to a Locked-in RRSP. There were 35 new retirements in 1990, and 1 Disability Pension granted under the Pension Part of the Plan. New retirees elected the following pension options:

Pension reducing to two-thirds at pensioner's death	25
10 Year Guarantee	1
15 Year Guarantee	1
Lifetime*	8
Total	35

*Note: The majority of pensioners who elected the lifetime pension were either female, single or had small pensions due to short service.

An amendment to the Pension Benefits Act effective January 1, 1984 requires that employees who at the time of retirement have a spouse must select a joint form of pension that at the death of the pensioner provides two-thirds of the pension to the spouse for life. This compulsory form of pension may be waived if the employee's spouse completes a spousal waiver form.

Since 1981, the Municipal Employees Benefits Board has extended to employees who elect to retire early the option of "integrating" their MEBB pension and receiving advances on their Old Age Security and/or Canada Pension. In 1990, 13 retirees chose to integrate.

As at December 31, 1990 there were 106 members with paid-up or deferred pensions.

Cost-of-Living Adjustment in Pensions

Cost-of-living adjustments have been paid since 1981 and the adjustment date was changed from July to January in 1988. Effective January 1, 1990, a cost-of-living adjustment was paid to eligible pensioners and beneficiaries whose deceased spouses retired prior to July 1, 1988. Cost-of-living adjustments equaling 50% of the increase in the Consumer Price Index for the 12 months ending July 1, 1989 or 2.68%, were paid. Each employee entitled to the full increase received 34¢ per month for each year of contributory service to a maximum of 35 years plus 1.34% of the ordinary lifetime pension.

Beneficiaries receive two-thirds of the increase which would have been paid had the retired employee been alive at the date of increase.

Pension Refunds

In 1990, refunds totalling \$684,702 were paid. This included refunds of pension contributions and interest, disability pension contributions and interest, plus excess employee contributions and interest (50% test)*. These refunds are divided as follows:

	Number of Employees	Amount of Payment
Terminated Employees — full refund	107	\$398,583
Terminated Employees — combination refund and paid-up pension	11	45,428
Transfer out re: marriage breakup	7	38,468
Refund to estates of deceased employees	1	104,399
Transfer out under reciprocal agreement	4	82,197
Refund of excess on retirement	3	565
Refund of unused contributions of deceased pensioners	1	9,660
Refund of overpayments	5	5,402
		\$684,702

*Note: If the accumulated employee contributions for the benefit after January 1, 1985 have a value in excess of 50% of the present value of the benefits, the excess must be refunded to the employee or used to provide additional benefits.

Prior Employment Recognition

Up to the end of 1981, the Municipal Employees Benefits Board allowed the purchase of prior service benefits by employees who were employed by municipalities or quasi-municipal organizations prior to the introduction of the MEBB Pension Plan in 1976. When a new employer joins the Plan the existing employees are also given the opportunity to purchase prior service benefits if they elect to do so within 3 months of the employer's effective date of participation. In 1990, the Board received payments from 4 employees who had elected to obtain credit for prior non-contributory service. These payments totalled \$4,827.36 in 1990.

Reciprocal Pension Agreements — Other Jurisdictions

Reciprocal agreements permitting the transfer of pension credits between MEBB and the following pension plan authorities were in effect on December 31, 1990:

Alberta Local Authorities Pension Board
Saskatchewan Municipal Employees Superannuation Commission
Ontario Municipal Employees Retirement Board (OMERS)
Government of Canada — Public Service Pension Plan

	Transfers to MEBB in 1990		Transfers from MEBB in 1990	
	Number	Amount	Number	Amount
Alberta Local Authorities	2	\$ 34,019		
Government of Canada	3	13,008	4	\$82,197
Saskatchewan Municipal Employees Superannuation Commission	2	87,086		
		\$134,113		\$82,197

Reciprocal Pension Agreements — Manitoba Transfers

At 1990 year end, 27 employees whose contributions remain in the MEBB Plan had transferred to the Manitoba Civil Service Superannuation Plan, 1 to the City of Winnipeg and 3 are transferring to the Manitoba Health Organization. Pensions paid to these employees at retirement will be based on the best 5 years earnings out of the last 10 years with the new employer and/or municipal employer.

Disability Pension Part of the Plan

The Disability Pension Part of the Plan came into being on June 1, 1981. Activities in 1990 compared with 1989 are as follows:

Disability Pension Part of the Plan	1990	1989	Increase (Decrease)
Employee Contributions	\$206,652	\$189,198	\$ 17,454
Employer Contributions	\$221,910	\$202,868	\$ 19,042
Pension Payments*	\$229,675	\$ 91,838	\$137,837
Refund of Contributions and Interest	\$ 9,586	\$ 17,104	\$ (7,518)
Employers Participating	222	218	4
Employees in Receipt of Disability Benefits	53	43	10

*Note: The actual amount paid out as disability pension payments was \$260,996 (\$230,034 for 1989). The above amount has been reduced by the recovery of disability pensions payable under prior plans.

On January 1, 1990, a cost-of-living adjustment was paid to all employees in receipt of disability benefits under the Disability Pension Part of the Plan. This adjustment amounted to 50% of the increase in the Consumer Price Index for the 12 months ending July 1, 1989, or 2.68%.

Group Life Insurance Plan

At 1990 year end, 167 municipalities plus 65 quasi-municipal organizations participated in the group life insurance program. Activities in 1990 compared with 1989 are as follows:

Group Life Insurance Plan	1990	1989	Increase (Decrease)
Employee Contributions	\$229,396	\$222,113	\$ 7,282
Employer Contributions	\$210,623	\$200,532	\$ 10,091
Voluntary and Dependents' Contributions	\$ 33,487	—	\$ 33,487
Death and Dismemberment Claims	\$465,020	\$249,750	\$215,270
Employers Participating	232	229	3

Municipal Employees Benefits Board Information Services

Board staff members are available to answer inquiries or meet individually with any employee (and spouse, family, etc.) who wishes information and assistance on termination, retirement planning or other matters of concern. During 1990, many municipal employees and spouses took advantage of this information and counselling service.

In 1990, the Municipal Employees Benefits Board conducted one informational seminar and one day-long pre-retirement counselling seminar. Administration seminars were held in 10 locations to educate payroll/personnel staff, to introduce the Administration Manual and explain Federal Income Tax Act pension reform. Staff attended the Manitoba Municipal Administrators Association district meetings in the autumn of 1990 to explain 1990 and future T-4 changes with regards to pension adjustment reporting.

An Annual Employee Benefits Statement detailing plan member's status, contributions, contributory service, current and projected pension benefits, and the amount of group insurance coverage was distributed to each member. Members were also sent a copy of the Annual Report.

Report on Changes in Status — Participants

for the year ended December 31, 1990

Males					
Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1990
-19	1				1
20-24	18	10			34
25-29	50	10			179
30-34	34	18			290
35-39	19	14			282
40-44	25	6			289
45-49	19	4		1	218
50-54	9	1			227
55-59	11	1	1	9	201
60+	8	4	4	22	185
	194	68	5	32	1906

Females					
Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1990
-19					
20-24	17	2			31
25-29	21	16			100
30-34	19	13			102
35-39	14	9			109
40-44	13	3			88
45-49	2	1			76
50-54	8				76
55-59				2	30
60+	1			2	21
	95	44	—	4	633
Totals	289	112	5	36	2539

Actuarial Studies

Pension Plan Benefit Improvements Financed Out of Actuarial Surplus

The January 1, 1989 Actuarial Report disclosed a surplus of \$2,926,085 based on the service to date valuation method.

The Board used the surplus disclosed in 1989 to finance the following improvements in benefits effective November 1, 1990:

- (1) The pension formula was improved by reducing from 6 of the last 12 to 5 of the last 10, the number of years used in calculating a member's final average earnings. The actuarial cost of this benefit was \$1,767,800.
- (2) The .6% CPP offset is eliminated if retirement occurs before age 60. At age 60, the pension is recalculated using the regular formula. The cost of this benefit was \$952,900.

The following improvement will be effective January 1, 1991:

Cost-of-living increases will reflect two-thirds of the change in the Consumer Price Index (previously one-half). The cost of this benefit was \$551,400.

Investments

The following comparative table illustrates investments held in trust by the Municipal Employees Benefits Board as of December 31, 1990.

Investment Holdings	1990 (\$000)	1989 (\$000)	Increase (Decrease) (\$000)
Bonds:			
Federals and Provincials	7,146	6,948	198
City and Municipal	1,034	1,085	(51)
Corporate	17,614	14,382	3,232
Fixed Income Component Balanced Funds	1,337	4,152	(2,815)
Pooled Bond Funds	1,369	1,266	103
Calendar Year Funds	1,833	2,200	(367)
	<u>30,333</u>	<u>30,033</u>	<u>300</u>
Mortgages:			
CMHC Insured	3,651	4,638	(987)
Pooled Mortgage Funds	21,267	21,494	(227)
	<u>24,918</u>	<u>26,132</u>	<u>(1,214)</u>
Short Term Certificates	<u>10,053</u>	<u>4,126</u>	<u>5,927</u>
Equities:			
Equity Component Balanced Funds	9,021	5,076	3,945
Common Stock	—	3	(3)
Petroleum and Natural Gas Interests	1,579	1,235	344
	<u>10,600</u>	<u>6,314</u>	<u>4,286</u>
Real Estate	<u>8,644</u>	<u>7,162</u>	<u>1,482</u>
Total	<u>84,548</u>	<u>73,767</u>	<u>10,781</u>

Note: The average yield on new bonds purchased in 1990 was 10.38%.



**Office of
the Provincial Auditor**

905 - 386 Broadway
Winnipeg, Manitoba, CANADA
R3C 3R6

Auditor's Report

To the Legislative Assembly of Manitoba

We have audited the balance sheets of The Municipal Employee Benefits Fund for the pension fund and insurance fund as at December 31, 1990 and the statements of changes in the reserve for present and future pension benefits, reserve for present and future insurance benefits, provision for investment losses, pension indexing adjustment account, long term disability indexing adjustment account and money purchase accounts plan for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements.

F. H. Jackson, CA
Provincial Auditor

Winnipeg, Manitoba
April 19, 1991

Exhibit A
The Municipal Employee Benefits Fund

Balance Sheet — Pension Fund

as at December 31, 1990

	1990	1989
ASSETS		
Cash	\$ 11,986	\$ 20,502
Employees' and employers' contributions receivable	526,061	558,126
Investments, Schedule 1, Note 2(a)	83,545,107	72,409,502
Accrued investment income	851,512	772,853
Computer equipment and programs, Note 2(d)	28,818	22,240
	<u>\$84,963,484</u>	<u>\$73,783,223</u>
LIABILITIES		
Accounts payable	\$ 61,585	\$ 133,296
Money Purchase Accounts Plan, Exhibit H, Note 9	99,407	55,472
Provision for investment losses, Exhibit E, Note 2(b)	952,973	791,834
Pension indexing adjustment account, Exhibit F, Note 5	5,412,280	4,058,269
Long Term Disability indexing adjustment account, Exhibit G, Note 6	300,515	1,132,746
Reserve for present and future pension benefits, Exhibit C	78,136,724	67,611,606
	<u>\$84,963,484</u>	<u>\$73,783,223</u>

Exhibit B
The Municipal Employee Benefits Fund

Balance Sheet — Insurance Fund

as at December 31, 1990

	1990	1989
ASSETS		
Cash	\$ 15,914	\$ 28,915
Employees' and employers' contributions accrued, Note 2(f)	39,782	40,919
Funds on deposit with The Prudential Assurance Company Limited	161,398	140,560
Term deposits	1,032,483	800,715
Accrued interest	25,200	19,002
	<u>\$1,274,777</u>	<u>\$1,030,111</u>
LIABILITIES		
Accounts payable	\$ 1,282	\$ 27
Insurance contributions account, Note 2(f)	42,285	42,913
Reserve for present and future insurance benefits, Exhibit D	1,231,210	987,171
	<u>\$1,274,777</u>	<u>\$1,030,111</u>

Exhibit C
The Municipal Employee Benefits Fund

**Statement of Changes in the Reserve
for Present and Future Pension Benefits**

for the year ended December 31, 1990

	1990	1989
Additions:		
Employers' and employees' contributions, Schedule 2	\$ 6,001,074	\$ 5,794,579
Investment income, net, Schedule 3	7,681,362	6,962,375
Bank and other interest	17,089	15,185
Total additions	<u>13,699,525</u>	<u>12,772,139</u>
Deductions:		
Pension — regular	1,428,900	1,162,462
— long term disability, net	229,675	91,838
Refunds of contributions and interest, Note 2(c)	602,505	551,440
Payments of contributions and interest to other pension plans	82,197	17,864
Administrative expenses, Schedule 4, Note 4	309,350	302,841
Total deductions	<u>2,652,627</u>	<u>2,126,445</u>
Net increase for the year	<u>\$11,046,898</u>	<u>\$10,645,694</u>

Changes in the Reserve for Present and Future Pension Benefits

Balance at beginning of year	\$67,611,606	\$57,458,685
Net increase for the year	11,046,898	10,645,694
Net transfer to pension indexing adjustment account, Exhibit F	(1,354,011)	(378,696)
Net transfer from (to) Long Term Disability indexing adjustment account, Exhibit G	832,231	(114,077)
Balance at end of year, Exhibit A	<u>\$78,136,724</u>	<u>\$67,611,606</u>

Exhibit D
The Municipal Employee Benefits Fund

**Statement of Changes in the Reserve
for Present and Future Insurance Benefits**

for the year ended December 31, 1990

	1990	1989
Additions:		
Insurance Contributions:		
Employees	\$ 229,395	\$222,113
Employers	210,623	200,532
Voluntary Insurance, Note 12	11,895	—
Dependents' Insurance, Note 12	21,593	—
Total contributions	<u>473,506</u>	<u>422,645</u>
Interest income	123,473	86,803
Increase in experience surplus held by The Prudential Assurance Company Limited, Note 8(a)	20,838	7,486
Insurance experience refund, Note 8(a)	<u>73,346</u>	<u>44,863</u>
Total additions	<u>691,163</u>	<u>563,817</u>
Deductions:		
Salaries	13,933	—
Actuarial fees	16,509	14,304
Miscellaneous	2,225	256
Premiums to The Prudential Assurance Company Limited	<u>414,457</u>	<u>341,707</u>
Total deductions	<u>447,124</u>	<u>356,267</u>
Net increase for the year	<u>\$ 244,039</u>	<u>\$207,550</u>

Changes in the Reserve for Present and Future Insurance Benefits

Balance at beginning of year	\$ 987,171	\$779,621
Net increase for the year	<u>244,039</u>	<u>207,550</u>
Balance at end of year, Exhibit B	<u>\$1,231,210</u>	<u>\$987,171</u>

Exhibit E
The Municipal Employee Benefits Fund

**Statement of Changes in the
Provision for Investment Losses**

for the year ended December 31, 1990

	1990	1989
Additions:		
Transfer from investment income, Schedule 3	\$161,139	\$148,268
Balance at beginning of year	791,834	643,586
Balance at end of year, Exhibit A	<u>\$952,973</u>	<u>\$791,834</u>

Exhibit F
The Municipal Employee Benefits Fund

**Statement of Changes in the
Pension Indexing Adjustment Account**

for the year ended December 31, 1990

	1990	1989
Additions:		
Interest	\$ 538,656	\$ 441,228
Transfer from Long Term Disability Indexing Adjustment Account, Exhibit G, Note 5	904,796	—
	<u>1,443,452</u>	<u>441,228</u>
Deductions:		
Charge for pension cost-of-living adjustments	<u>89,441</u>	<u>62,332</u>
Net transfer from reserve for present and future pension benefits, Exhibit C, Note 5	1,354,011	378,896
Balance at beginning of year	4,058,269	3,678,373
Balance at end of year, Exhibit A	<u>\$5,412,280</u>	<u>\$4,058,269</u>

Exhibit G**The Municipal Employee Benefits Fund****Statement of Changes in the Long Term
Disability (LTD) Indexing Adjustment Account**for the year ended December 31, 1990

	1990	1989
Additions:		
Interest	\$ 83,184	\$ 122,622
Deductions:		
Charge for LTD cost-of-living adjustments	10,619	8,545
Transfer to Pension Indexing Adjustment Account, Exhibit F, Note 6	904,796	—
	915,415	8,545
Net transfer from reserve for present and future LTD benefits, Exhibit C, Note 6	(832,231)	114,077
Balance at beginning of year	1,132,746	1,018,669
Balance at end of year, Exhibit A	\$ 300,515	\$1,132,746

Exhibit H
The Municipal Employee Benefits Fund

Statement of Money Purchase Accounts Plan
for the year ended December 31, 1990

	1990	1989
Additions:		
Deposits	\$45,071	\$21,462
Interest	8,884	5,196
	<u>53,955</u>	<u>26,658</u>
Deductions:		
Refund of deposits	9,329	5,278
Administration fees charged by The Municipal Employees Benefits Board	691	314
	<u>10,020</u>	<u>5,592</u>
Increase for the year	43,935	21,066
Balance at beginning of year	<u>55,472</u>	<u>34,406</u>
Balance at end of year, Exhibit A	<u>\$99,407</u>	<u>\$55,472</u>

Notes to the Financial Statements

for the year ended December 31, 1990

1. Nature of the Organization:

The Municipal Employees Benefits Board was established under The Municipal Act in 1976 and is responsible for administering The Municipal Employee Benefits Fund. This Fund is the vehicle through which pension (regular and long term disability) and group insurance programs are delivered for municipal and quasi-municipal employees. These programs are provided for by regulation under The Municipal Act. Administering the Act involves collecting contributions; investing net revenue; monitoring investments; paying pensions on retirement; counselling; and providing seminars, annual benefit statements and brochures to members of the Plan. The administrative expenses incurred in delivering these programs are set out in Schedule 4.

2. Significant Accounting Policies:

The significant accounting policies are summarized below:

(a) The investment valuation and income measurement policies consist of:

(i) Fixed income investments:

Book value for the investments is cost plus or minus amortized premium or discount in excess of 1%.

Premiums and discounts of one percent or less of par value are reflected in income in the year of acquisition. All other premiums and discounts are amortized to income on a straight line basis over the term of the investment commencing with the year of acquisition.

Gains or losses on disposition before maturity are amortized to income on a straight line basis over the remaining term of the investment to a maximum of 20 years. The unamortized balances remain as part of the book value of the total investments.

Investment income is reduced annually by 1/4 of 1% of the book value of investments to a maximum of the provision not exceeding 3% of the book value of the investments and the amount of the reduction is credited to the provision for investment losses.

(ii) Equity investments:

Equity investments are recorded at cost.

One-fifth of any realized gains or losses is reflected in income in the year of disposition. The remaining four-fifths is reflected in the value of the investment assets and amortized to income in equal amounts over the next four years.

One-fifth of the difference between the adjusted book value and the established market value of equity investments as at the end of the fiscal year is reflected in income and the offset reflected as an unrealized appraisal adjustment.

(b) Provision for investment losses:

The provision for investment losses, shown in the Balance Sheet, does not reflect a valuation of the investments, but is maintained to stabilize and even out the investment income. Any impairment in the value of investments, if considered permanent by the Investment Committee, will be charged against the provision.

(c) Refunds:

The Fund's policy is to reflect refunds of employees' contributions on the cash method of accounting.

(d) Computer equipment and programs:

Mini computer equipment costs are capitalized and amortized on a straight line basis over six years. Computer program development costs are amortized on a straight line basis over five years.

	1990	1989
Computer Equipment	\$35,140	\$22,816
Less Amortization	(17,327)	(11,470)
	\$17,813	\$11,346
Computer Programs	15,811	13,839
Less Amortization	(4,806)	(2,945)
	11,005	10,894
Balance, end of year	\$28,818	\$22,240

(e) Fixed Assets:

Furniture and equipment purchases are charged to operations in the year of acquisition.

(f) Insurance Contributions:

The Fund has included contributions by employees and participating organizations in the month of December pertaining to coverage for January in its accounts. This is reflected in the financial statements as insurance contributions accrued and is offset by the insurance contributions account.

3. Transfers from Prior Carriers:

The Municipal Employees Benefits Board's actuary has been arranging, on behalf of the Board, for the transfer of funds pertaining to municipal employees prior service from prior carriers for employees who have agreed to have these funds transferred to the Fund. As at December 31, 1990, transfers have been made amounting to \$3,869,709 (1989 - \$3,844,277). As at December 31, 1990 experience rating refunds have been received amounting to \$579,617 (1989 - \$579,617). Transfers which have been vested are shown as employee contributions.

The funds transferred remain with prior carriers who are holding them in trust for the Fund in accordance with the terms of the contracts. These

contracts provide that the Fund, with minor restrictions, can take complete control of the funds with the following exceptions: one contract reserves the right to limit withdrawals of funds to 25% in any one year and one contract provides for a penalty commencing at 5% and reducing progressively until eliminated by 1991. As a result of the transfers, the Board assumes responsibility for the related pension liabilities.

4. Administrative Services:

The Municipal Employees Benefits Board entered into an agreement with The Civil Service Superannuation Board to provide administrative services to The Municipal Employees Benefits Board with regard to its Pension Plan and Group Insurance Plan operations. In accordance with the terms of the agreement, The Municipal Employees Benefits Board reimburses The Civil Service Superannuation Board for the cost of these services. These costs amounted to \$35,155 (1989 - \$37,600) and are included in administrative expenses.

5. Pension Indexing Adjustment Account:

In accordance with amendments under Regulations to the Municipal Act, a pension indexing adjustment account was established on July 1, 1985 to finance cost-of-living adjustments. An initial transfer was made to this account from the reserve for present and future pension benefits in the amount of \$2,376,200. An additional transfer of \$904,796 was made to this account on July 1, 1990 from the Long Term Disability Indexing Adjustment Account. Interest is credited semi-annually to the account at the average rate of return on fixed income investments during the three year period reviewed in the latest actuarial report on the financial position of the Pension Plan.

The cost-of-living program provides for cost-of-living adjustments to pension payments of 50% of the Consumer Price Index of Canada increase to a maximum of 5%, subject to the ability of the Pension Indexing Adjustment Account to finance the increase without creating an unfunded liability.

The annual actuarial valuation of the pension indexing adjustment account as at July 1, 1989, indicated that \$3,372,014 was available to actuarially finance additional cost-of-living increases for pensioners. Effective January 1, 1990, the Board approved and paid the actuarially calculated pension adjustment for 1990 equal to:

- a) 1.34% (1989 - .98%) of the total lifetime pension plus any previously granted adjustments in that allowance, and
- b) 34¢ (1989 - 24¢) per month for each year of contributory service, to a maximum of 35 years,

for those employees who retired before July 1, 1988. Employees who retired after that date, but before December 31, 1988, were paid a pro-rata portion of the adjustment. Beneficiaries of deceased pensioners receive two-thirds of the adjustment that the pensioner would have been eligible for. The present value of the January 1, 1990 adjustment has been actuarially calculated to be equal to \$223,500 as at July 1, 1989, leaving a balance of \$3,148,514 available in the pension indexing adjustment account as at that date to provide for future indexing. The actuarial valuation has not been adjusted for this transfer from the Long Term Disability Indexing Adjustment Account.

6. Long Term Disability (LTD) Indexing Adjustment Account:

During 1988 the Municipal Employees Benefits Board approved a cost-of-living program for LTD pension payments which is limited to the lesser of 50% of the increase in the Consumer Price Index or 5% subject to the ability of the LTD Indexing Adjustment Account to finance the increase without creating an unfunded liability. An initial transfer was made to this account from the reserve for present and future pension benefits in the amount of \$911,200. On July 1, 1990, \$904,796 was transferred to the Pension Indexing Adjustment Account. Interest is credited semi-annually to the account at the average rate of return on fixed income investments during the period reviewed in each triennial actuarial report on the financial position of the Fund. Cost-of-living adjustments are charged to the account.

Commencing January, 1988 and each January thereafter, cost-of-living LTD adjustment payments are calculated in accordance with the report prepared by the actuary and approved by the Board.

The annual actuarial valuation of the LTD indexing account as at July 1, 1989 indicated that \$1,050,928 was available to actuarially finance additional cost-of-living increases. The actuarial valuation has not been adjusted for this transfer to the Pension Indexing Adjustment Account. Effective January 1, 1990 the Board approved and paid the actuarially calculated LTD adjustment of 2.68% reflecting 50% of the increase in the Consumer Price Index.

7. Actuarial Reports:

The financial statements do not take into account actuarial valuations and therefore do not reflect the financial position of the Pension Fund on an actuarial valuation basis. In accordance with The Municipal Act, an actuarial valuation of the Pension Fund is required every three years. The most recent actuarial valuation report on the Pension Fund as at January 1, 1989 disclosed a surplus of \$2,926,085 based on the service to date valuation method.

The actuarial valuation of the Insurance Fund as at January 1, 1989 disclosed a deficit of \$332,701. The Actuary, in his report, stated that the existence of a deficit in the Insurance Fund is due to the actual experience being less favorable than expected. He also stated that the deficit is decreasing in terms of a percentage of total liabilities and that the financial position of the Insurance Fund is expected to improve in the future based on a further improvement in claims experience and higher investment earnings.

8. Insurance Fund Experience:

(a) Prior To Termination:

The Prudential Assurance Company Limited, after the end of the policy year, determines whether a surplus or deficit has been incurred for the year in accordance with the terms of the policy. The policy of the Fund is to recognize this surplus or deficit in the financial statements only after a determination has been made. Interest is earned on a surplus and charged on a deficit from the end of the period for which the surplus or deficit is determined.

The surplus belonging to the Board at the end of December 31, 1989 policy year and retained by The Prudential Assurance Company Limited amounted to \$161,398 (1988 - \$140,560).

The Prudential Assurance Company Limited agrees to pay to the Board an experience refund in the amount by which the surplus exceeds 50% of the premium paid to Prudential during the policy year just completed. For the policy year ended December 31, 1989 an experience refund of \$73,346 (1988 - \$44,883) was received.

(b) On Termination:

If this policy is terminated, the surplus or deficit will be determined in accordance with the terms of the policy on a final settlement date, after taking into account any surplus or deficit carried forward from prior years. A final surplus will be paid as a refund while a final deficit will be the responsibility of The Prudential Assurance Company Limited.

9. Money Purchase Accounts Plan:

A Money Purchase Accounts Plan was established effective July 1, 1985. Eligible individuals may transfer to the Plan an amount from either the Fund or pension plan of a prior employer to provide for an annuity or other settlement in the future. The Plan is administered and accounted for separately by the Board for which the Board is authorized to charge the Plan with an administration fee. The accumulated value of the participant's account, upon election of an annuity under the Plan, will be transferred to an annuity reserve as part of the reserve for present and future benefits of the Fund.

10. Investment Related Expenses:

Investment related expenses are summarized below:

	1990	1989
Direct	\$65,441	\$54,528
Administrative	7,356	13,900
	<u>\$72,797</u>	<u>\$68,428</u>

The Board approved the classification of identifiable costs as direct expenses. Where direct allocation is not practical, expenses are allocated on a prorated basis as administrative expenses. Direct expenses for 1989 includes \$20,000 for prior years.

11. Reimbursement for prior plan disability pensions:

In accordance with the terms of an agreement with the City of Brandon, the City reimburses the Municipal Employees Benefits Board for the cost of administering pensions for certain disabled City employees.

12. Voluntary and Dependents' Insurance:

Effective January 1, 1990, voluntary life insurance and dependents' life insurance were added to the group insurance program. Contributions are paid totally by the employees.

13. Comparative Figures:

Comparative figures for the year ended December 31, 1989 have been restated to conform with this year's presentation.

Schedule 1
The Municipal Employee Benefits Fund

Summary of Investments

as at December 31, 1990

	1990		1989
	Par Value	Book Value	Book Value
Fixed income investments:			
Term deposits	\$10,053,051	\$10,053,051	\$ 4,125,475
Bonds and debentures:			
Government of Canada	2,350,000	2,352,754	2,653,347
Province of Newfoundland	500,000	500,000	500,000
Province of Ontario	4,000,000	4,042,936	3,545,013
Province of Saskatchewan	250,000	250,000	250,000
Hospitals	250,000	250,000	250,000
Municipal Corporations	792,000	784,084	834,667
Corporations	17,769,795	17,613,645	14,382,325
	<u>25,911,795</u>	<u>25,793,419</u>	<u>22,415,352</u>
Fixed Income Component Balanced Funds (includes short term)		1,337,861	4,152,507
Pooled bond funds		1,369,401	1,266,339
Calendar year funds		1,832,511	2,200,572
		<u>4,539,773</u>	<u>7,619,418</u>
Mortgages — National Housing Act (Canada)	<u>3,953,029</u>	3,651,095	4,637,782
Pooled mortgage funds		21,267,271	21,493,608
		<u>24,918,366</u>	<u>26,131,390</u>
Unamortized net gains on disposition		(755,863)	(984,228)
Total fixed income investments at amortized cost, Note 2(a)(i)		<u>64,548,746</u>	<u>59,307,407</u>
Equity investments:			
Equity Component Balanced Funds		9,021,129	5,075,642
Petroleum and natural gas investments, shares		1,579,320	1,234,850
Real estate			
Units of pooled real estate		8,637,291	7,161,969
Pooled Common stock		6,720	3,000
Unamortized (gains) losses on disposition		(674,851)	(888,896)
Unrealized appraisal adjustments		426,752	515,530
Total equity investments, Note 2(a)(ii)		<u>18,996,361</u>	<u>13,102,095</u>
Total investments, Exhibit A		<u>\$83,545,107</u>	<u>\$72,409,502</u>

Schedule 2
The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1990

	1990			1989 Total
	Employers' contributions	Employees' contributions	Total	
Municipal Corporations				
Cities	\$ 999,328	\$1,000,960	\$2,000,288	\$1,789,874
Local Government Districts	171,455	171,436	342,891	326,737
Rural Municipalities	645,238	645,226	1,290,464	1,234,851
Towns	568,689	568,687	1,137,376	1,040,338
Villages	103,965	103,936	207,901	199,184
Quasi-Municipal Organizations				
Weed Control Boards and Districts	35,244	35,244	70,488	63,602
Other	179,286	179,198	358,484	322,009
Total regular pension contributions	2,703,205	2,704,687	5,407,892	4,976,595
Contributions based on prior non-pensionable employment	1,229	3,599	4,828	37,163
Long term disability pensions	221,910	206,652	428,562	392,066
Receipts from other pension plans re transfer of employee benefits under reciprocal agreements	67,056	67,057	134,113	76,296
Reinstatement Payments	—	—	—	2,517
Transfer from prior carrier, Note 3	—	25,432	25,432	308,004
Interest on outstanding contributions	247	—	247	1,938
Total pension contributions, Exhibit C	\$2,993,647	\$3,007,427	\$6,001,074	\$5,794,579

Schedule 3
The Municipal Employee Benefits Fund

Statement of Investment Income

for the year ended December 31, 1990

	1990	1989
Fixed income, Note 2(a)(i):		
Interest	\$6,775,171	\$5,912,958
Amortization of discounts and premiums	45,792	41,052
Amortization of net realized gains, Note 2(a)(i)	232,658	231,930
Transfer to provision for investment losses, Exhibit E	(161,139)	(148,268)
	<u>6,892,482</u>	<u>6,037,672</u>
Equity income, Note 2(a)(ii):		
Real estate — dividends and interest	446,507	534,529
Other dividends and interest	289,903	94,154
Partial unrealized appraisal adjustments, net, Note 2(a)(ii)	(88,778)	158,102
Amortization of realized gains	214,045	206,346
	<u>861,677</u>	<u>993,131</u>
Gross investment income	7,754,159	7,030,803
Less:		
Investment related expenses, Note 10	72,797	68,428
Total investment income, Exhibit C	<u><u>\$7,681,362</u></u>	<u><u>\$6,962,375</u></u>

Schedule 4
The Municipal Employee Benefits Fund

Statement of Administrative Expenses

for the year ended December 31, 1990

	1990	1989
Salaries and fringe benefits	\$233,749	\$199,487
Professional fees	31,789	64,239
Bank and investments	540	225
Computer related costs	17,905	9,098
Furniture and fixtures	285	476
Medical examinations	10,234	6,866
Miscellaneous	6,857	7,859
Pension commission	5,000	5,000
Printing and stationery	15,593	9,654
Seminars and travelling	6,963	6,744
Telephone, postage and delivery	16,612	14,687
Total administrative expenses	345,527	324,335
Less:		
Investment related expenses, Note 10	33,849	13,900
Money Purchase Accounts Plan Recovery, Note 9	676	295
Long Term Disability Recovery, Note 11	1,652	7,299
Total administrative expenses, net, Exhibit C	<u>\$309,350</u>	<u>\$302,841</u>